

# Protecting Local Government Retirement and Benefits Act

## Corrective Action Plan:

### Retirement Health Benefit Systems

Issued under authority of Public Act 202 of 2017.

#### 1. MUNICIPALITY INFORMATION

Local Unit Name: Ottawa County Road Commission Six-Digit Muni Code: 700100  
Retirement Health Benefit System Name: The Retiree Health Plan  
Contact Name (Administrative Officer): Amy Fairchild  
Title if not Administrative Officer: Finance Director  
Email: afairchild@ottawacorc.com Telephone Number: (616) 850-7209

#### 2. GENERAL INFORMATION

**Corrective Action Plan:** An underfunded local unit of government shall develop and submit for approval a corrective action plan for the local unit of government. The local unit of government shall determine the components of the corrective action plan. This Corrective Action Plan shall be submitted by any local unit of government with at least one retirement health benefit system that has been determined to have an underfunded status. Underfunded status for a retirement health system is defined as being less than 40% funded according to the most recent audited financial statements, and, if the local unit of government is a city, village, township, or county, the annual required contribution for all of the retirement health systems of the local unit of government is greater than 12% of the local unit of government's annual governmental fund revenues, based on the most recent fiscal year.

**Due Date:** The local unit of government has **180 days from the date of notification** to submit a corrective action plan to the Municipal Stability Board. The Board may extend the 180-day deadline by up to an additional 45 days if the local unit of government submits a reasonable draft of a corrective action plan and requests an extension.

**Filing:** Per Sec. 10(1) of PA 202 of 2017 (the Act), this Corrective Action Plan must be approved by the local government's administrative officer and its governing body. ***You must provide proof of your governing body approving this Corrective Action Plan and attach the documentation as a separate PDF document.*** Per Sec. 10(4) of the Act, failure to provide documentation that demonstrates approval from your governing body will result in a determination of noncompliance by the Board.

The completed plan must be submitted via email to Treasury at [LocalRetirementReporting@michigan.gov](mailto:LocalRetirementReporting@michigan.gov) for review by the Board. **If you have multiple underfunded retirement systems, you are required to complete separate plans and send a separate email for each underfunded system.** Please attach each plan as a separate PDF document in addition to all applicable supporting documentation.

The subject line of the email(s) should be in the following format: **Corrective Action Plan-2017, Local Unit Name, Retirement System Name** (e.g. Corrective Action Plan-2017, City of Lansing, Employees' Retirement System OPEB Plan). Treasury will send an automatic reply acknowledging receipt of the email. Your individual email settings must allow for receipt of Treasury's automatic reply. This will be the only notification confirming receipt of the application(s).

**Municipal Stability Board:** The Municipal Stability Board (the Board) shall review and vote on the approval of a corrective action plan submitted by a local unit of government. If corrective action is approved, the Board will monitor the corrective action for the following two years, and the Board will report on the local unit of government's compliance with the Act not less than every two years.

**Review Process:** Following receipt of the email by Treasury, the Board will accept the corrective action plan submission at the next scheduled meeting of the Board. The Board shall then approve or reject the corrective action plan within 45 days from the date of the meeting.

**Considerations for Approval:** A successful corrective action plan will demonstrate the actions for correcting underfunded status as set forth in Sec. 10(7) of the Act (listed below), as well as any additional solutions to address the underfunded status. Please also include steps already taken to address your underfunded status, as well as the date prospective actions will be taken. A local unit of government may also include in its corrective action plan a review of the local unit of government's budget and finances to determine any alternative methods available to address its underfunded status. A corrective action plan under this section may include the development and implementation of corrective options for the local unit of government to address its underfunded status. The corrective options as described in Sec. 10(7) may include, but are not limited to, any of the following:

(i) Requiring cost sharing of premiums and sufficient copays.

(ii) Capping employer costs.

**Implementation:** The local unit of government has up to 180 days after the approval of a corrective action plan to begin to implement the corrective action plan to address its underfunded status. The Board shall monitor each underfunded local unit of government's compliance with this act and any corrective action plan. The Board shall adopt a schedule, not less than every 2 years, to certify that the underfunded local unit of government is in substantial compliance with the Act. If the Board determines that an underfunded local unit of government is not in substantial compliance under this subsection, the Board shall within 15 days provide notification and report to the local unit of government detailing the reasons for the determination of noncompliance with the corrective action plan. The local unit of government has 60 days from the date of the notification to address the determination of noncompliance.

### 3. DESCRIPTION OF PRIOR ACTIONS

Prior actions are separated into three categories below: System Design Changes, Additional Funding, and Other Considerations. Please provide a brief description of the prior actions implemented by the local government to address the retirement system's underfunded status within the appropriate category section. Within each category are sample statements that you may choose to use to indicate the changes to your system that will positively affect your funded status. For retirement systems that have multiple divisions, departments, or plans within the same retirement system, please indicate how these changes impact the retirement **system** as a whole.

- **Please Note:** If applicable, prior actions listed within your waiver application(s) may also be included in your corrective action plan.

Please indicate where in the attached supporting documentation these changes are described and the impact of those changes (i.e. what has the local unit of government done to improve its underfunded status, and where can we find the proof of these changes in the supporting documentation?).

**Note:** Please provide the name of the system impacted, the date you made the change, the relevant page number(s) within the supporting documentation, and the resulting change to the system's funded ratio.

#### Category of Prior Actions:

- ☒ **System Design Changes** - System design changes may include the following: Changes to coverage levels (including retiree co-payments, deductibles, and Medicare eligibility), changes to premium cost-sharing, eligibility changes, switch to defined contribution retiree health care plan, changes to retiree health care coverage for new hires, etc.

**Sample Statement:** *Benefit levels of the retired membership mirrors the current collective bargaining agreement for each class of employee. On **January 1, 2017**, the local unit entered into new collective bargaining agreements with the **Command***



**Officers Association and Internal Association of Firefighters** that increased employee co-payments and deductibles for healthcare. These coverage changes resulted in an improvement to the retirement system's funded ratio. Please see page 12 of the attached actuarial analysis that indicates the system is **40%** funded as of **June 30, 2017**.

Effective September 12, 2013 new non-bargaining employees will not be offered health insurance upon retirement (attachment - 7a health insurance policy). Effective May 31, 2016 new bargaining employees will not be offered health insurance upon retirement (attachment - 7a health insurance policy). The retiree health insurance now requires a 16% contribution from retirees toward insurance costs (attachment 2a - actuarial valuation page 9).

- ☐ **Additional Funding** – Additional funding may include the following: paying the annual required contribution in addition to retiree premiums, voluntary contributions above the annual required contribution, bonding, millage increases, restricted funds, etc.

**Sample Statement:** The local unit created a qualified trust to receive, invest, and accumulate assets for retirement healthcare on **June 23, 2016**. The local unit of government has adopted a policy to change its funding methodology from Pay-Go to full funding of the Annual Required Contribution (ARC). Additionally, the local unit has committed to contributing **\$500,000** annually, in addition to the ARC for the next five fiscal years. The additional contributions will increase the retirement system's funded ratio to **40%** by **2022**. Please see page 10 of the attached resolution from our governing body demonstrating the commitment to contribute the ARC and additional **\$500,000** for the next five years.

- ☒ **Other Considerations** – Other considerations may include the following: outdated Form 5572 information, actuarial assumption changes, amortization policy changes, etc.

**Sample Statement:** The information provided on the Form 5572 from the audit used actuarial data from **2015**. Attached is an updated actuarial valuation for **2017** that shows our funded ratio has improved to **42%** as indicated on page 13.

The commission's closed OPEB plan is very restrictive and only provides OPEB benefits to eligible retirees for a five year period from age 60 to 65 (attachment - 7a health insurance policy). OPEB expenses as a percentage of revenues and other financing sources has averaged less than .4% (four tenths of a percent) over the past five years (attachment 7b - schedule of OPEB premium expense compared to general fund revenues and other financing sources).

#### 4. DESCRIPTION OF PROSPECTIVE ACTIONS

The corrective action plan allows you to submit a plan of prospective actions which are separated into three categories below: System Design Changes, Additional Funding, and Other Considerations. Please provide a brief description of the prospective actions implemented by the local government to address the retirement system's underfunded status within the appropriate category section. Within each category are sample statements that you may choose to use to indicate the changes to your system that will positively affect your funded status. For retirement systems that have multiple divisions, departments, or plans within the same retirement system, please indicate how these changes impact the retirement **system** as a whole.

Please indicate where in the attached supporting documentation these changes are described and the impact of those changes (i.e. what will the local unit of government do to improve its underfunded status, and where can we find the proof of these changes in the supporting documentation?).

##### Category of Prospective Actions:

- ☐ **System Design Changes** - System design changes may include the following: Changes to coverage levels (including retiree co-payments, deductibles, and Medicare eligibility), changes to premium cost-sharing, eligibility changes, switch to defined contribution retiree health care plan, changes to retiree health care coverage for new hires, etc.

**Sample Statement:** The local unit will seek to align benefit levels for the retired membership with each class of active employees. Beginning with **summer 2018** contract negotiations, the local unit will seek revised collective bargaining agreements with the **Command Officers Association** and **Internal Association of Firefighters** to increase employee co-payments and deductibles for healthcare. These coverage changes would result in an improvement to the retirement system's funded ratio. Please see page **12** of the attached actuarial analysis that indicates the system would be **40%** funded by **fiscal year 2020** if these changes were adopted and implemented by **fiscal year 2019**.

- ☐ **Additional Funding** – Additional funding may include the following: meeting the annual required contribution in addition to retiree premiums, voluntary contributions above the annual required contribution, bonding, millage increases, restricted funds, etc.

**Sample Statement:** The local unit will create a qualified trust to receive, invest, and accumulate assets for retirement healthcare by **December 31, 2018**. The local unit of government will adopt a policy to change its funding methodology from Pay-Go to full funding of the Annual Required Contribution (ARC) by **December 31, 2018**. Additionally, beginning in fiscal year 2019, the local unit will contribute **\$500,000** annually in addition to the ARC for the next five fiscal years. The additional contributions will increase the retirement system's funded ratio to **40%** by **2022**. Please see page **10** of the attached resolution from our governing body demonstrating the commitment to contribute the ARC and additional **\$500,000** for the next five years.

- ☒ **Other Considerations** – Other considerations may include the following: outdated Form 5572 information, actuarial assumption changes, amortization policy changes, etc.

**Sample Statement:** Beginning in **fiscal year 2019**, the local unit will begin amortizing the unfunded portion of the healthcare liability using a **level-dollar amortization method over a closed period of 10 years**. This will allow the health system to reach a funded status of **42%** by **2022** as shown in the attached actuarial analysis on page **13**.

The Commission is asking to continue with a pay-as-you-go OPEB funding method as the plan is closed (no new employee normal costs), plan expense is a very small percentage of revenues, plan OPEB eligibility window is short (retirees only from age 60 to 65), and plan census data shows declining retirees eligible beginning in 2024.

## 5. CONFIRMATION OF FUNDING

Please check the applicable answer:

Do the corrective actions listed in this plan allow for (insert local unit name) Ottawa County Road Commission to make, at a minimum, the retiree premium payment, as well as the normal cost payments for all new hires (if applicable), for the retirement health benefit system according to your long-term budget forecast?

- ☒ **Yes**  
☐ **No**

**If No, Explain:** The plan's maximum life is through 2056 due to staff and retiree census data (closed plan). The balance of potential eligible retirees is decreasing rapidly from 2024 onward (attachment 3a - schedule of potential eligible staff..).



## 6. DOCUMENTATION ATTACHED TO THIS CORRECTIVE ACTION PLAN

Documentation should be attached as a .pdf to this corrective action plan. The documentation should detail the corrective action plan that would be implemented to adequately address the local unit of government's underfunded status. Please check all documents that are included as part of this plan and attach in successive order as provided below:

**Naming convention:** when attaching documents please use the naming convention shown below. If there is more than one document in a specific category that needs to be submitted, include a, b, or c for each document. For example, if you are submitting two supplemental valuations, you would name the first document "Attachment 2a" and the second document "Attachment 2b".

### Naming Convention

### Type of Document

☒ Attachment – 1

**This Corrective Action Plan (Required)**

☒ Attachment – 1a

**Documentation from the governing body approving this Corrective Action Plan (Required)**

☒ Attachment – 2a

Actuarial Analysis (annual valuation, supplemental valuation, projection)

☒ Attachment – 3a

Internally Developed Projection Study

☐ Attachment – 4a

Documentation of additional payments in past years that is not reflected in your audited financial statements (e.g. enacted budget, system provided information).

☐ Attachment – 5a

Documentation of commitment to additional payments in future years (e.g. resolution, ordinance)

☐ Attachment – 6a

A separate corrective action plan that the local unit has approved to address its underfunded status, which includes documentation of prior actions, prospective actions, and the positive impact on the system's funded ratio

☒ Attachment – 7a

Other documentation, not categorized above

## 7. LOCAL UNIT OF GOVERNMENT'S ADMINISTRATIVE OFFICER APPROVAL OF CORRECTIVE ACTION PLAN

I Brett Laughlin, as the government's administrative officer (*enter title*)  
Managing Director (City/Township Manager, Executive director, and Chief Executive Officer, etc.) approve this Corrective Action Plan and will implement the prospective actions contained in this Corrective Action Plan.

Signature



Date

8/30/18

**Excerpt of Minutes of  
Board Meeting  
OTTAWA COUNTY ROAD COMMISSION**

Commissioner Bird moved to approve and authorize the Managing Director to execute the corrective action plans for retirement pension and health care benefits as required by the Michigan Department of Treasury, seconded by Commissioner Gajewski and carried.

I, Brett A. Laughlin, Secretary of the Board of County Road Commissioners, County of Ottawa, do hereby certify this to be a true copy of an excerpt taken from minutes of a meeting of the Board of County Road Commissioners, County of Ottawa, held on August 30, 2018

  
Brett A. Laughlin, Secretary

## SUMMARY OF PLAN PROVISIONS

### Eligibility Requirements

Bargaining – Age 60

Non-bargaining – Hired prior to January 1, 2015 and age 60

### Summary of Benefits

Employer pays 84% of the premium for retiree until age 65; for spouse coverage, retiree must pay full cost

### Retiree Contribution

Retirees pay 16% of the premium for single coverage and 100% of spouse benefits, if elected

### Medical Premiums

|   | Single    | Double      |
|---|-----------|-------------|
| Priority Health (Non-Bargaining) Pre-65 | \$ 486.25 | \$ 1,068.76 |
| Priority Health (Bargaining) Pre-65     | 485.58    | 1,067.14    |

### Changes Since Prior Valuation

- 16% retiree contribution added
- Premium rates updated

**Ottawa County Road Commission**

**Schedule of potential eligible staff and retirees eligible to receive OPEB benefits**

**For the years ended September 30,**

| <b>Fiscal year</b> | <b>Number of<br/>potential eligible<br/>staff under 60<br/>years old and not<br/>yet receiving<br/>benefits</b> | <b>Number of<br/>potential retirees<br/>(age 60 to 65)<br/>receiving OPEB<br/>benefits</b> | <b>Number of<br/>years from<br/>9/30/18</b> |
|--------------------|---|--|---|
| 2019               | 67  | 14   |   |
| 2020               | 61  | 19   |   |
| 2021               | 55  | 21   |   |
| 2022               | 48  | 26   |   |
| 2023               | 44  | 26   |   |
| 2024               | 42  | 25   |   |
| 2025               | 39  | 22   |   |
| 2026               | 37  | 18   |   |
| 2027               | 32  | 16   |   |
| 2028               | 32  | 12   | 10 years                                    |
| 2029               | 26  | 16   |   |
| 2030               | 26  | 13   |   |
| 2031               | 25  | 12   |   |
| 2032               | 23  | 9  |   |
| 2033               | 21  | 11   |   |
| 2034               | 20  | 6  |   |
| 2035               | 20  | 6  |   |
| 2036               | 17  | 8  |   |
| 2037               | 16  | 7  |   |
| 2038               | 15  | 6  | 20 years                                    |
| 2039               | 14  | 6  |   |
| 2040               | 11  | 9  |   |
| 2041               | 10  | 7  |   |
| 2042               | 10  | 6  |   |
| 2043               | 7   | 8  |   |
| 2044               | 6   | 8  |   |
| 2045               | 5   | 6  |   |
| 2046               | 5   | 5  |   |
| 2047               | 5   | 5  |   |
| 2048               | 4   | 3  | 30 years                                    |
| 2049               | 4   | 2  |   |
| 2050               | 1   | 4  |   |
| 2051               | 1   | 4  |   |
| 2052               | 0   | 5  |   |
| 2053               |   | 4  |   |
| 2054               |   | 4  |   |
| 2055               |   | 1  |   |
| 2056               |   | 1  | 38 years                                    |
| 2057               |   | 0  |   |

Source - Human resources employee data.



|  |   |
|--|---|
| <p style="text-align: center;"><b>OTTAWA COUNTY ROAD COMMISSION</b></p> <p style="text-align: center;"><b>BENEFIT POLICY</b></p> | <p style="text-align: center;"><b>NUMBER: 6</b></p> <p style="text-align: center;"><b>EFFECTIVE DATE: 05/26/16</b></p> <p style="text-align: center;"><b>REVISION NUMBER: 1</b></p> |
| <p><b>SUBJECT: HEALTH INSURANCE</b></p>  |   |

The Ottawa County Road Commission believes it provides excellent overall benefits to its employees. One of the main benefits it provides is health and dental insurance for employees and their eligible dependents. While the Road Commission pays the majority of the cost of premiums, employee cost is subject to the provisions of the Union Contract for bargaining employees and what is established by the Board for non-bargaining employees.

Employees become eligible for health and dental insurance following the completion of thirty (30) days of regular, full-time employment. In addition, Non-Bargaining Employees become eligible for vision benefits after thirty (30) days of regular, full-time employment.

Employees will pay a percentage of the Health Insurance Premium effective June 1 as determined on an annual basis by the Board and/or provisions in the Union Contract.

Non-Bargaining Employees hired before September 12, 2013 and who retire at or after age 60 until age 65 or Medicare eligible age will be provided Health Insurance. The retiree will pay the same percentage of the Health Insurance Premium as employees. Non-Bargaining Employees hired after September 12, 2013 will not be offered Health Insurance upon retirement.

Bargaining Employees hired before May 31, 2016 and who retire at or after age 60 until age 65 or Medicare eligible age will be provided Health Insurance. Effective January 1, 2016, eligible retiree's will pay the same percentage of the Health Insurance Premium as employees. Bargaining Employees hired after May 31, 2016 will not be offered Health Insurance upon retirement.

Employees may opt out of health insurance coverage at 40% of the current rate provided proof of alternative coverage is provided, however, the current employee percentage of the Health Insurance Premium will be deducted from each opt out payment.

Adopted by the Board of County Road Commissioners: May 26, 2016

This policy supersedes and rescinds the previous Health Insurance Policy of August 19, 2014.

**Ottawa County Road Commission**

**Schedule of OPEB premium expense compared to general fund revenues  
and other financing sources**

**For the years ended September 30,**

| <b>Fiscal year</b> | <b>OPEB expense</b> | <b>General fund<br/>revenues and<br/>other financing<br/>sources</b> | <b>OPEB expense as<br/>a percentage of<br/>general fund<br/>revenues and<br/>other financing<br/>sources</b> |
|--------------------|---------------------|--|--|
| 2013               | \$ 126,179          | \$ 29,143,323  | 0.43%  |
| 2014               | 167,732             | 32,773,098   | 0.51%  |
| 2015               | 139,720             | 40,243,792   | 0.35%  |
| 2016               | 129,074             | 41,304,369   | 0.31%  |
| 2017               | 113,853             | 42,652,025   | 0.27%  |
| Average            | 135,312             | 37,223,321   | 0.37%  |

Source - audited financial statements